

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 EB-08 AID-05 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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H-01 L-03 NSC-05 PA-01 PRS-01 SS-15 FTC-01 /091 W

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 3511

C O N F I D E N T I A L JAKARTA 11653

E.O. 11652: GDS

TAGS: ETRD, EINV, ID

SUBJECT: IBM IN INDONESIA

REF: (A) STATE 182634, (B) JAKARTA 100001

1. WE APPRECIATE FULL REPORT ON DEPUTY ASSISTANT SECRETARY HEGINBOTHAM'S MEETING WITH DAN MCGURL (REF A) AND THE VARIOUS ARGUMENTS THAT MIGHT BE MENTIONED TO THE INDONESIANS TO HELP THE IBM POSITION.

2. DURING THE LAST FEW WEEKS EMBASSY HAS BEEN IN CONTINUING TOUCH WITH LOCAL IBM REP (EWEN) AND WE HAVE DISCUSSED THESE SAME ARGUMENTS WITH HIM. EWEN, CURRENTLY ON LEAVE IN THE U.S., HAS BEEN IN FREQUENT TOUCH WITH VARIOUS GOI OFFICIALS INCLUDING MINISTER OF TRADE RADIUS PRAWIRO, BARLI HALIM (BKPM), AND PANGGABEAN (DIRECTOR FOR DEVELOPMENT OF TRADE). APPARENTLY NONE OF EWEN'S CONVERSATIONS HAVE PRODUCED STARTLING NEW RESULTS AND THE MATTER PRESUMABLY STILL RESTS WITH THE CHAIRMAN OF THE SUPREME COURT AND THE MINISTER OF JUSTICE. BEFORE LEAVING JAKARTA, EWEN TOLD US THAT IT WAS DIFFICULT FOR HIM TO PREJUDGE THE OUTCOME OF THE SITUATION BUT THAT HE FELT CERTAIN IBM WOULD HAVE TO NOTIFY ITS CUSTOMERS SOMETIME DURING THE FALL OF THE TERMINATION OF ITS

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LEASING ACTIVITIES IN INDONESIA UNLESS THERE WAS SOME BREAK IN THE SITUATION. PANGGABEAN, HE SAID, CONTINUED TO BE RATHER SARCASTIC ABOUT THE WHOLE MATTER AND MINISTER PRAWIRO WAS NONCOMMITTAL.

3. IN ADDITION TO AMBASSADOR'S CONVERSATION WITH PRAWIRO REPORTED REF B, CHARGE AND E/C COUNS ASKED PRAWIRO LAST

WEEK ABOUT STATE OF PLAY. PRAWIRO STATED EMPHATICALLY THAT THE MATTER WAS IN THE HANDS OF THE CHAIRMAN OF THE SUPREME COURT AND THE MINISTER OF JUSTICE AND THAT HE HAD MADE A NUMBER OF EFFORTS TO GET THEM TO MAKE A DECISION IN THE MATTER SOONEST. HE SAID HE WAS CAUGHT IN A DILEMMA SINCE "THE LAW IS THE LAW" AND HE HAS NO CHOICE BUT TO ENFORCE IT UNLESS HE HAS A LEGAL BASIS TO DO OTHERWISE. PRAWIRO OBSERVED THAT HE WAS TRYING TO BE AS FORTHCOMING AS POSSIBLE WITH IBM REPS AND HAD MADE IT CLEAR TO THEM THAT HE WAS AVAILABLE AT ALL TIMES SHOULD THEY WISH TO PROVIDE HIM WITH ADDITIONAL INFORMATION ABOUT THEIR CASE. IN THIS CONNECTION, PRAWIRO ADDED, IBM WAS A UNIQUE SITUATION SINCE OTHER COMPANIES, SUCH AS BATA SHOES AND SIEMENS, WERE FINDING WAYS TO ADJUST TO THE LAW. HE READILY ADMITTED, HOWEVER, THAT THESE TWO COMPANIES HAD MANUFACTURING FACILITIES HERE WHICH MAKE THEM DIFFERENT FROM IBM.

4. CHARGE POINTED OUT TO PRAWIRO THAT DEPARTURE OF IBM FROM INDONESIA MAY HAVE CONSIDERABLE IMPACT ON ATTITUDE OF OTHER PRESENT AND POTENTIAL U.S. INVESTORS IN INDONESIA AND THAT IT COULD HURT THE INVESTMENT CLIMATE WHICH WE KNOW THE GOI IS ATTEMPTING TO IMPROVE. PRAWIRO TOOK THE POINT. HE AGAIN SAID THAT HE HAD TO EXECUTE THE LAW, BUT WOULD ATTEMPT TO COOPERATE WITH IBM AS MUCH AS POSSIBLE UNDER THE CIRCUMSTANCES.
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5. COMMENT: OUR IMPRESSION IS THAT SITUATION REMAINS ON DEAD CENTER AND THAT INDONESIANS MAY WELL DIG IN THEIR HEELS ON ISSUE AND INSIST THAT IBM BRING IN AN INDONESIAN PARTNER FOR THEIR LEASING AND MAINTENANCE OPERATION. IF CONVENIENT, E/C COUNS WILL DISCUSS SUBJECT WITH HEGINBOTHAM IN MANILA. SUBSEQUENT HEGINBOTHAM VISIT HERE MAY ALSO AFFORD AN OPPORTUNITY TO PURSUE THE ISSUE.
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